

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Human Rights
Two Years Ended June 30, 2003

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: 4200
ILLINOIS DEPARTMENT OF HUMAN RIGHTS
TWO YEARS ENDED JUNE 30, 2003

FINDINGS/RECOMMENDATIONS - 6

ACCEPTED - 6

REPEATED RECOMMENDATIONS - 3

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 5

This review summarizes the audit of the Illinois Department of Human Rights for the two years ended June 30, 2003, filed with the Legislative Audit Commission April 6, 2004. The auditors performed a compliance audit in accordance with State law and *Government Auditing Standards*.

The Illinois Department of Human Rights' mission is to secure for all individuals within the State freedom from unlawful discrimination or sexual harassment in employment and in higher education; to establish and promote equal opportunity and affirmative action as the policy of the State in all of its decisions, programs and activities; and to make the Department an administrative standard of excellence in terms of the quality and quantity of its work product and the work environment for its employees. The Department is charged with enforcing the Illinois provisions regarding unlawful discrimination in employment, real property transactions, access to financial credit and public accommodations based upon race, color, religion, national origin, age, sex, marital status and physical or mental handicap. The companion Human Rights Commission adjudicates cases requiring formal determinations under statute.

The Department does not have jurisdiction over hate crimes under the Illinois Human Rights Act; and therefore, does not take complaints of hate crimes, but encourages complainants to file with county State Attorneys. However, the Governor's Commission on Discrimination and Hate Crimes is affiliated to the Department, and the Director of DHR oversees operation of the Commission. In 2003, nearly 230 law enforcement personnel received hate crimes instruction in training sessions presented by the Commission. In 2002, there were a total of 199 bias-motivated criminal offenses reported.

Carlos J. Salazar was the Director of the Department during most of the audit period. He served until February 14, 2003. Mr. Rocco Claps was appointed Director effective February 18, 2003. Mr. Claps had no previous association with the Department.

The number of employees was:

REVIEW: 4200

	FY03	FY02	FY01
Administration	9	9	10
Hate Crimes	1	1	-
Charge Processing	119	127	128
Compliance	16	16	16
TOTAL	145	153	154

Case Management Inventory

Statistical data on caseload activity, as shown in the audit report, is provided in Appendix A. The Department received 17,990 inquiries, completed 3,733 investigations, and filed 3,876 charges in FY03. Of the 3,733 completed investigations, about 46% of the cases were dismissed for lack of evidence, failure to proceed, or for lack of jurisdiction. Among the cases completed, substantial evidence was found in 229 cases. There were settlements in 1,247 cases. In 535 instances, the complainant withdrew the case.

According to the Department, in FY03, 94.7% of the charges docketed alleged discrimination in employment, while 3.3% alleged discrimination in housing; and 2% alleged discrimination in public accommodations. There was one docketed charge alleging discrimination in financial credit, and one charge alleging sexual harassment in higher education. Among docketed charges, 83.3% are charges against private employers and 8.2% are charges against State and local governments. At the end of FY03, the Department employed 45 investigators. On average, investigators completed 6.6 charges per month.

Expenditures From Appropriations

Appendix B presents a summary of appropriations and expenditures for the period under review. The General Assembly appropriated a total of \$9,328,600 (\$6,863,700 from the General Revenue Fund and \$2,464,900 from the Special Projects Fund) in FY03. The Special Projects Fund receives federal funding from the Equal Employment Opportunity Commission and the U.S. Department of Housing and Urban Development. Expenditures increased from \$8,690,605 in FY02 to \$8,750,884 in FY03, an increase of \$60,279, or 0.7%. Due to reduction of the General Fund budget, some personnel were transferred to the Special Projects Division enabling increased expenditures of federal funds. The Commission on Discrimination and Hate Crimes was formed in FY2000.

Lapse period expenditures were 4.6% for FY03, and 4.2% for FY02.

Property and Equipment

Appendix C summarizes the changes in property and equipment. The beginning balance as of July 1, 2001 was \$1,304,425 compared to an ending balance as of June 30, 2003 of \$1,261,325.

Cash Receipts

Appendix D summarizes cash receipts. Total receipts were \$2,408,930 in FY03 and \$785,863 in FY02. In FY02, receipts from federal sources were only 1/3 of what they were in FY03. According to the audit report, federal grant receipts fluctuate from year to year depending upon the cases closed by the Department and timing of federal drawdowns. When reviewing cash receipts for the past six years, FY02 was by far the lowest since FY97.

Accountants' Findings and Recommendations

Condensed below are the six findings and recommendations presented in the audit report. There were three repeated recommendations. The following recommendations are classified on the basis of information provided by Rocco Claps, Director of the Department of Human Rights, in the audit report.

Accepted

- 1. Identify the accounting principle issues generally accepted and keep adequate records, schedules, or reconciliations to support grant/contract data, accounts receivables, and accounts payable so that an accurate GAAP Reporting Package can be prepared. (Repeated-1997)**

Findings: The Department did not maintain adequate financial records or prepare an accurate GAAP Reporting Package for submission to the State Comptroller. The Department did not keep adequate records, schedules, or reconciliations to support grant/contract data, accounts receivables, and accounts payable.

The Department's books and records were maintained using the Comptroller's Statewide Accounting Managements System (SAMS), which is essentially a cash basis budgetary accounting system. Because the Department does not regularly maintain a GAAP basis general ledger, data must be gathered and a computation must be made annually to prepare GAAP basis financial statements. While the SAMS manual has the necessary information as to the requirements of the GAAP Reporting Package, the Department did not comply with these requirements.

REVIEW: 4200

Accepted - continued

Department management considered the SAMS basis records to be adequate to meet the GAAP reporting requirements and adjustments for the GAAP Reporting Package, as most of the GAAP requirements are limited to grant receivables at year end. Therefore, the Department did not maintain other records, schedules, or reconciliations to support grant/contract data, accounts receivables, and accounts payable.

Response: The Department keeps all source documents and schedules and will in the future maintain its accounts receivables and accounts payables in general ledger form.

2. Improve voucher processing procedures to ensure that the correct detail object codes are used, that price quotations are obtained from at least three vendors, and that supporting documentation is adequate.

Findings: The Department did not adequately document nor properly classify expenditures. During testing, the auditors noted the following:

- Three printing vouchers totaling \$5,635 lacked required bidding documents, as required by Department procedures;
- Six of 25 operation of automotive vouchers tested did not have adequate supporting documents; and
- One of 40 contractual vouchers tested was not charged to the proper expenditure detail code.

Response: Accepted. The Department will try to ensure that all vouchers processed are charged to the proper expenditures, detail object code, and that all printing vouchers have required bidding documents in file for each fiscal year.

3. Process vendor invoices timely and pay interest owing in compliance with statute. (Repeated-1995)

Findings: The Department did not process vendor invoices timely. The auditors noted that 108 of 262 vouchers tested in FY02 and FY03 were not approved for payment within 30 days. Proper approval ranged from 1 day to 292 days late. Five of the vouchers paid late out of the General Revenue Fund had interest due totaling \$1,155, which was not automatically paid to the respective vendors.

Response: Accepted. The Department will try to approve and process vouchers within 30 days and will pay interest owing in compliance with the State Prompt Payment Act.

4. Establish accountability for fixed assets as required by statute and SAMS procedure.

REVIEW: 4200

Findings: The Department lacked adequate controls over property related to physical control, recordkeeping and reporting. The auditors noted the following:

- Of 30 equipment items tested, seven, totaling \$310,178, could not be located.
- Five of the 25 vouchers tested contained 40 items totaling \$26,705. The 40 items were recorded in the inventory listing at an average unit cost of \$667 each although the items were billed at different costs ranging from \$654 to \$799.
- Two equipment items, a camera case and an IBM computer, were located on the Agency's premises but were not on the inventory listings.
- One voucher for the purchase of new furniture included an item with a unit price of \$604. The Department did not file a new furniture affidavit with the State Surplus Administrator.

According to Department personnel, items not found were obsolete equipment that had been transferred to CMS but not yet taken off the inventory list. Two items were overlooked items for recording in the property system. The voucher amount for the 40 items was divided evenly to simplify the unit cost assignment in the property records. Staff was unaware of the requirement to file new furniture affidavits for items costing more than \$500.

Response: Accepted. The Department will adhere to this recommendation.

5. Comply with statute and follow SAMS procedures in a timely manner and fully consider all possible internal control weaknesses. (Repeated-2001)

Findings: The Department did not adequately perform its review of internal controls as required by law. The FY02 certification letter due on May 1, 2002 was filed on May 15, 2002. The certification reports did not include internal control weaknesses that had been reported as material weaknesses in the Department's audit reports. Corrective action plans were also not included in the reports.

Department personnel stated that they were familiar with the requirements of the statute, but not with the requirements of the SAMS procedures.

Response: Accepted. The Department will adhere to this recommendation.

6. Record cash receipts at the time of receipt in a Cash Receipts Ledger that will summarize receipts and ensure complete and sequential recording of all receipt transactions. The cash receipts ledger should be used as the basis for the reconciliation with the Comptroller's reports. The monthly reconciliation process should be formally documented.

Findings: The Department had inadequate cash receipts records and reconciliation procedures. The Department's receipts records did not summarize cash receipts

REVIEW: 4200

Accepted - concluded

sequentially and chronologically to provide a basis for establishing completeness of receipt transactions and deposits as well as to facilitate the reconciliation with the Comptroller's reports.

In the auditors' testing of revenue and receipts, they noted that receipts are not recorded in a cash receipts record or logbook at the time of receipt. The receipts are directly deposited to the bank and upon receipt of the Treasurer's draft, the Receipt Deposit Transmittal (RDT) form is prepared. The Department's reconciliation procedure for the Comptroller's Cash Receipts Reports was limited to comparing the amounts with the file of the RDTs. This reconciliation was not formally documented.

According to Department personnel, they did not see the need to maintain a separate record of receipts other than filing the RDTs. Formal documentation of the cash receipts reconciliation procedures was also not considered necessary.

Response: Accepted. The Department keeps all cash receipt details and reconciles them to the Comptroller's monthly reports. The Department will maintain a summary ledger as recommended.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states that "the principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts ..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY02 and FY03, the Department of Human Rights did not file any affidavits for emergency purchases.

Headquarters Designations

REVIEW: 4200

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

The Department of Human Rights indicated as of June 25, 2003 the Department had no employees assigned to locations other than official headquarters.